

Message Text

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PAGE 01 TEL AV 03390 030958Z

14-11

ACTION EB-07

INFO OCT-01 EUR-12 NEA-10 IO-10 ISO-00 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

FEA-01 SAM-01 /114 W

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P R 030833Z JUN 75

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC PRIORITY 6911

INFO USMISSION EC BRUSSELS

USMISSION GENEVA

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E.O. 11652: N/A

TAGS: ETRD, IS

SUBJECT: ISRAEL AND GSP

REF: A. STATE 109011

B. STATE 109012

C. STATE A-3366 OF MAY 13, 1975

D. STATE 121162

1. EMBASSY PRESENTED PRODUCT LIST AND SUBSTANCE REFERENCES TO BOTH FOREIGN MINISTRY (ELRON) AND MINISTRY OF COMMERCE AND INDUSTRY (NEDIVI). PER REFTEL D, GOI AGREED WITH INTERPRETATION OF ARTICLE 2, PARAGRAPH 1 OF PROTOCOL 2, OF RECENTLY-SIGNED EC-ISRAEL AGREEMENT, BUT WITH PROVISION THAT QUOTE THERE IS NO CHANGE IN ISRAEL'S BASIC CUSTOMS RATES AS OF JANUARY 1, 1975 UNQUOTE, I.E. GATT RECOGNIZED CHANGES. GOI EXPLAINED THAT BOTH ANNEX A AND B HAD BEEN DELIBERATELY CONSTRUCTED TO TAKE INTO ACCOUNT U.S. TRADE INTERESTS.

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PAGE 02 TEL AV 03390 030958Z

GOI WAS FREE TO GIVE TARIFF REDUCTIONS TO U.S. ON

PRODUCTS IN ANNEX A. MOREOVER, ANNEX B WAS REALLY A TECHNICAL LIST WITH TARIFF RATES LISTED AT HIGHER LEVELS THAN ACTUALLY EXIST; NONETHELESS GOI WAS COMMITTED TO EXTEND PREFERENCES TO THE COMMON MARKET FOR THE ANNEX B PRODUCTS.

2. GOI INDICATED THAT IT WILL BE NOTIFYING USG THAT JUNE 23 WOULD BE ACCEPTABLE DATE TO BEGIN GSP CONSULTATIONS IN WASHINGTON. GOI TEAM WILL CONSIST OF (1) UZI NEDIVI, DEPUTY DIRECTOR, FOREIGN TRADE DIVISION, MINISTRY OF COMMERCE AND INDUSTRY, (2) GAD ELRON, DIRECTOR, ECONOMIC DIVISION, MINISTRY FOR FOREIGN AFFAIRS, (3) AVRAHAM ELLENBERG, DEPUTY DIRECTOR OF CUSTOMS, (4) YAACOV ARAD, CHIEF, ECONOMIC SECTION, DEPARTMENT OF CUSTOMS AND EXCISE, AND (5) EITAV RAFF, ECONOMIC COUNSELOR, EMBASSY OF ISRAEL, WASHINGTON.

3. GOI ADVISED EMBOFF THAT IT HAD RECEIVED A COPY OF THE PRODUCT LIST AT JOINT ECONOMIC COMMITTEE IN WASHINGTON AND HAD BEEN WORKING ON IT AND REITERATED REQUEST FOR FINAL LIST OF ARTICLES INCLUDED UNDER GSP.

4. PER REF B, EMBOFF EXPLAINED OBJECTIVE OF FORTHCOMING GSP CONSULTATIONS. HOWEVER, DESPITE REITERATIONS, NEDIVI WAS INSISTENT THAT ISRAEL'S ELIGIBILITY FOR GSP BE CONSIDERED BOTH WITHIN THE CONTEXT OF JOINT ECONOMIC COMMITTEE AND MTN.

HE ALSO SAID CONFIDENTIALLY THAT ISRAEL HAD NOT ORIGINALLY BEEN INTERESTED IN GSP, BUT SINCE IT HAD BEEN ESTABLISHED AND ISRAEL'S COMPETITORS WOULD RECEIVE IT, NOW IT WAS NECESSARY FOR ISRAEL TO QUALIFY FOR GSP.

5. IN RECENT CONVERSATION WITH MINISTRY OF COMMERCE AND INDUSTRY OFFICIAL (KIRYATI), TRADE ACT'S PROVISIONS WERE CRITICIZED, ESPECIALLY \$25 MILLION LIMITATION ON ELIGIBLE PRODUCTS. EXAMPLE OF DIAMONDS GIVEN BECAUSE UNDER TRADE ACT, ISRAEL'S DIAMOND EXPORTS TO U.S. COULD NOT QUALIFY FOR GSP. HOWEVER, SINCE DIAMONDS WERE NOT READILY IDENTIFIABLE AS TO SOURCE, IT WOULD BE POSSIBLE FOR ISRAELI DIAMOND EXPORTERS TO SHIP THEIR DIAMONDS TO INDIA, WHOSE PRESENT DIAMOND LIMITED OFFICIAL USE

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PAGE 03 TEL AV 03390 030958Z

EXPORTS WERE LESS THAN \$25 MILLION ANNUALLY, AND EXPORT THEM AS QUOTE INDIAN DIAMONDS UNQUOTE AND THEREBY RECEIVE BENEFITS OF GSP. EMBOFF POINTED OUT ILLEGALITY OF SUCH TRANSACTIONS

AND SAID THAT ACCORDING TO HIS READING OF TRADE ACT ONLY \$25 MILLION WORTH OF DIAMONDS WOULD QUALIFY FOR GSP. KIRYATI DISAGREED AND SAID THAT DIAMONDS WOULD BE IMPORTANT ISSUE IN FORTHCOMING GSP CONSULTATIONS.

HE AGREED EMBOFF TO SEEK CLARIFICATION FROM WASHINGTON.
PLEASE ADVISE.
VELIOTES

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